

**CITY OF RANDALL, IOWA**  
**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**  
**FOR THE PERIOD**  
**APRIL 1, 2015 THROUGH MARCH 31, 2016**

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## Officials

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Name	Title	Term Expires
<b>Officials</b>		
Gregg Wright	Mayor	December, 2018
Carlene Enderson	Council Member	December, 2020
Steven Moore	Council Member	December, 2018
Scott Stephens	Council Member	December, 2018
Cindy Stull	Council Member	December, 2020
Gina Wheeler	Council Member	December, 2018
DeAnn Frisk	City Clerk/Treasurer	Indefinite

## **Independent Accountant's Report on Applying Agreed-Upon Procedures —**

To the Honorable Mayor and  
Members of the City Council  
City of Randall, Iowa

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Randall for the period April 1, 2015 through March 31, 2016. The City of Randall's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2015 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.

7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
11. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
12. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of noncompliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the City of Randall, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Randall, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Randall and other parties to whom the City of Randall may report. This report is not intended to be and should not be used by anyone other than these specified parties.

*HOGAN - HANSEN*

HOGAN - HANSEN

Traer, Iowa  
June 22, 2016

## Detailed Recommendations

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## Detailed Recommendations

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For the Period April 1, 2015 through March 31, 2016

(A) **Segregation of Duties** - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- Accounting system - performing all general accounting functions, including journal entries and having custody of assets.
- Cash - handling, reconciling and recording.
- Investing - recordkeeping, investing, custody of investments and reconciling earnings.
- Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- Utilities - billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
- Debt - recordkeeping, compliance and debt payment processing.
- Journal entries - preparing and journalizing.
- Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- Payroll - entering rates into the system, recordkeeping, preparing, signing and distributing.
- Computer system - performing all general accounting functions and controlling all data input and output.
- Financial reporting - preparing and reconciling.

**Recommendation** - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations and journal entries should be evidenced by the signature or initials of the reviewer and the date of the review.

(B) **Bank Reconciliations** - The City Clerk told us that the cash balances in the City's general ledger were reconciled to bank account balances throughout the year. However, the software used by the City overwrites the previous reconciliation each time a new one is prepared. The Clerk did not save or print a copy of the monthly bank reconciliations, so we were unable to examine them.

**Recommendation** - The City should establish procedures to ensure that bank and investment account balances are reconciled to the general ledger monthly and any variances are reviewed and resolved timely. In addition, an independent person should review all bank reconciliations and document their review by signing or initialing and dating the reconciliations. The reconciliations should be retained either electronically or in a printed format.

## Detailed Recommendations

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For the Period April 1, 2015 through March 31, 2016

- (C) **Official Depositories** - A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

**Recommendation** - A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council as required.

- (D) **Investment Policy** - The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

**Recommendation** - The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

- (E) **Accounting Policies and Procedures Manual** - The City does not have an accounting policies and procedures manual.

**Recommendation** - An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

- (F) **City Council Minutes** - Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings include a list of claims, a summary of receipts, total disbursements by fund and a reason for each claim. We tested the minutes of four meetings and found they included a listing of claims. However, none of the minutes included the total disbursements from each fund, the summary of receipts or the reason for each claim.

**Recommendation** - The City should comply with the Code of Iowa and include total disbursements by fund, a summary of receipts and a reason for each claim in the minutes.

- (G) **Chart of Accounts** - The City has not fully implemented the Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee on September 25, 2002. More specifically, debt service payments and transfers were not recorded to the proper accounts according to the Uniform COA.

**Recommendation** - To provide better financial information and control, the COA, or its equivalent, should be followed for all transactions.

- (H) **Section 148** - The City does not have written procedures to monitor compliance with the arbitrage, yield restrictions and rebate requirements under Section 148 of the Internal Revenue Code as it relates to debt obligations.

**Recommendation** - The City should establish written procedures to monitor compliance with the arbitrage, yield restrictions and rebate requirements under Section 148 of the Internal Revenue Code.



## Detailed Recommendations

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For the Period April 1, 2015 through March 31, 2016

- (I) **Management Financial Information** - The Clerk's financial reports to the City Council included cash and investment balances and year-to-date receipts and disbursements, but did not include comparisons to the certified budget by function or a summary of beginning balance, receipts, disbursements, transfers and ending balance by fund.

**Recommendation** - To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the Clerk's monthly financial reports to the City Council should include comparisons to the certified budget by function. Also, for better financial information, the monthly reports should also include the beginning balance, receipts, disbursements, transfers and ending balance for each fund.

- (J) **Transfer and Journal Entry Documentation** - Supporting documentation was not maintained for interfund transfers and journal entries made in the general ledger. Additionally, transfers and journal entries are not approved by anyone other than the person who made the entry.

**Recommendation** - Supporting documentation should be maintained which substantiates all interfund transfers and journal entries. Additionally, all interfund transfers should be evidenced by approval in the minutes or budget, as applicable. Journal entries should be approved by an independent person and evidence of the approval should be documented.

- (K) **Prenumbered Receipts** - Prenumbered receipts were not issued for all collections and an initial listing of collections was not prepared.

**Recommendation** - Prenumbered receipts should be issued for all collections and an initial listing of collections should be prepared. These collections should be compared to the bank deposits and the accounting records by an independent person and the evidence of review should be documented.

- (L) **Unused and Voided Checks** - The City has insufficient controls over the supply of unused and voided checks.

**Recommendation** - The City should store the supply of unused and voided checks in a secure location to prevent use by unauthorized persons.

- (M) **Financial Condition** - As of March 31, 2016, the City had a deficit balance of \$3,359 in the Local Option Sales Tax Fund.

**Recommendation** - The City should investigate alternatives to eliminate this deficit to return the fund to a sound financial position.

- (N) **Local Option Sales Tax** - Documentation was not maintained to demonstrate that tax receipts were spent in accordance with the provisions of the referendum authorizing the collection of the tax.

**Recommendation** - The City should maintain documentation to demonstrate that local option sales tax collections are disbursed in compliance with the provisions of the referendum.

## Detailed Recommendations

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For the Period April 1, 2015 through March 31, 2016

- (O) **Annual Financial Report** - Chapter 384.22 of the Code of Iowa requires the City's Annual Financial Report contain a "summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures..." The City's Annual Financial Report reported receipts, disbursements and fund balances which did not agree with the City's general ledger.

**Recommendation** - The City should ensure that future Annual Financial Reports agree with the City's records.

- (P) **Disbursements** - Invoices and other supporting documentation were not always available to support disbursements. We tested 30 disbursements and supporting documentation for 1 transaction could not be located. Additionally, one of the disbursements tested was shown as being voided in the accounting records, but the check was paid by the bank. The check listing approved by the City Council did not include this check because it was shown as being voided in the accounting software.

**Recommendation** - All disbursements should be supported by invoices or other supporting documentation. The claims listing approved by the City Council should include all checks being paid.

- (Q) **Payroll** - Hourly employees are required to complete time cards. The City Council approves all pay increases. The following findings were identified:

- (1) Although time cards were maintained for hourly employees, there was no indication the time cards had been reviewed and approved by appropriate supervisory personnel prior to preparation of the payroll.
- (2) Annual salary increases for all City employees were approved based upon a percentage increase and the actual approved wage rates were not documented in the City Council minutes.
- (3) In addition to her regular salary, the City Clerk received a flat rate of \$35 per month as a mileage reimbursement on her paycheck, but approval for this amount was unable to be located.
- (4) The City Clerk's salary was improperly allocated between functions. It was coded to the water function for three months, the sewer function for three months and the general government function for six months.

**Recommendation** - Time cards should be reviewed and approved by appropriate supervisory personnel prior to preparation of payroll. The approval should be evidenced by the signature or initials of the reviewer and the date of the review. Salaries and wage rates of employees and any changes should be adequately documented in the City Council minutes. The City Clerk's salary should be allocated each pay period to the appropriate functions so that, at any point in time, the expenditures from that function are accurately represented in the accounting records.

## Detailed Recommendations

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For the Period April 1, 2015 through March 31, 2016

- (R) **Electronic Check Retention** - Chapter 554D.114 of the Code of Iowa allows the City to retain canceled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each canceled check. The City does not receive an image of the back of each canceled check.

**Recommendation** - The City should obtain and retain images of both the front and back of canceled checks as required by Chapter 554D.114 of the Code of Iowa.

- (S) **Accounting Software** - The City Clerk was unable to fully utilize the functionality of the Banyon Fund Accounting software due to lack of training received.

**Recommendation** - The City should consider obtaining additional training on the use of Banyon Fund Accounting software for the City Clerk.

- (T) **Certified Budget** - Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public works, culture and recreation, debt service and business-type activities functions. As of March 31, 2016, disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the public safety and general government functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

**Recommendation** - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.